



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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June 11, 2002

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: June 10, 2002 REVENUE COLLECTION REPORT

General Fund-State collections were again above the forecast for the month. Receipts totaled \$1,067.4 million, \$27.9 million higher than what was expected for the May 11-June 10 collection period. Revenue Act (retail sales, business & occupation, use and public utility taxes) and real estate excise taxes, which are most closely tied to economic performance, accounted for \$16.8 of the \$27.9 million variance for the month. The remainder of the variance is primarily due to higher than expected estate and property tax payments. Collections have now exceeded the estimate for three consecutive months. Cumulatively for the four months since the February forecast collections are \$104.0 million above the estimate. As noted last month, some of the cumulative variance is due to special factors. These include unusually large audit payments (\$26.4 million) and an accounting adjustment (\$5.3 million). Excluding special factors collections are \$72.3 million higher than expected cumulatively since the February forecast. The relatively large variance indicates that the estimate for the last four months was overly pessimistic. Although revenue declined the last four months, the drop was less than assumed in the forecast. However, while a large positive variance is obviously good news, we still have a long way to go. It is too soon to tell if some of the stronger than expected consumer and business spending during the last four months will result in less spending and revenue in future quarters.

Revenue Act collections this period primarily reflect April 2002 business activity. Despite higher than expected Revenue Act collections this month, Revenue Act growth was still relatively weak. For the month, Revenue Act receipts were 0.7 percent above the year-ago level (adjusting for legislation and special factors). Although small, this is the second increase in the last three months and a significant improvement over last month's 3.7 percent decline. The forecast assumed Revenue Act collections would decline 1.4 percent this period. Revenue Act collections were 1.6 percent below the year-ago level for the first four months of calendar 2002. While still weak, revenue growth is improving.

It declined 2.5 percent in the third quarter and 2.3 percent decline in the fourth quarter of 2001. Economic data also continue to indicate an improving, but still fragile national economy. The state economy is still weak but remains on track for a recovery later this year. While revenue growth is expected to continue to improve, growth might not be quite as strong as originally assumed.

Preliminary data on tax payments for the current month indicate strength in most retailing sectors and weakness in virtually all non-retailing sectors. Preliminary data show the retailing category was up about 5.0 percent from the year-ago level, while non-retailing sectors, as a whole, declined nearly 4 percent. Within retail trade, all major sectors other than food store and furniture and household equipment stores reported higher tax payments than a year ago. The auto/gasoline sector reported a 9.5 percent increase and building materials/hardware retailers reported a 14 percent increase. All major non-retailing sectors reported year-over-year declines in excise tax payments this month. Most of the declines were in the low to mid-single digit range, with wholesalers reporting the largest decline, 8.2 percent.

Other General Fund taxes collected by the Department of Revenue were \$14.0 million above the estimate for the month. Estate tax, property tax, real estate excise tax, liquor taxes and timber excise tax payments were higher than expected for the month. Cigarette and the "other" category were less than expected. This month's positive variance increases the cumulative variance for non-revenue act taxes to \$32.5 million for the four months since the last forecast. Property tax receipts were \$9.2 million above the estimate for the month and \$11.4 million cumulatively, however, some of this is believed to be due to a change in the monthly payment pattern and will likely be offset by less payments in future months. Payment by a few very large estates has bolstered estate tax collections the last four months. The estate tax was \$7.2 million higher than expected for the month and is \$13.6 million higher than the forecast for the last four months. Payments from ten estates accounted for nearly half of all estate tax payments in the last four months.

Real estate activity was up modestly this month (closings in April reflect tax payments to the state in May). Taxable activity was up 7.7 percent statewide, with transactions up 12.8 percent, while the average price per transaction fell 4.5 percent. Real estate activity has increase three of the first four months of calendar 2002 as low mortgage rates has mitigated the impact of a weak economy on real estate activity.

Department of Licensing General Fund-State collections are \$1.0 million higher than the estimate for the month and cumulatively for the four months since the February forecast.

The attached Table 1 provides a comparison of collections with the March forecast for the May 11 - June 10, 2002 collection period and cumulatively since the February 2002 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

TABLE 1
Revenue Collection Report
June 10, 2002 Collections Compared to the February 2002 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
May 11 - June 10, 2002				
Department of Revenue-Total	\$1,036,063	\$1,062,957	\$26,894	2.6%
Revenue Act** (1)	596,729	609,574	12,845	2.2%
Non-Revenue Act(2)	439,334	453,382	14,049	3.2%
Liquor Sales/Liter	6,724	6,891	167	2.5%
Cigarette	4,340	4,074	(266)	-6.1%
Property (State School Levy)	368,525	377,747	9,223	2.5%
Estate	7,651	14,888	7,237	94.6%
Real Estate Excise	31,926	35,920	3,993	12.5%
Timber (state share)	1,836	2,287	451	24.6%
Other	18,332	11,576	(6,756)	-36.9%
Department of Licensing (2)	3,451	4,478	1,027	29.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,039,514	\$1,067,435	\$27,921	2.7%
Cumulative Variance Since the February 2002 Forecast (February 11 - June 10, 2002)				
Department of Revenue-Total	\$3,100,361	3,203,368	103,007	3.3%
Revenue Act** (3)	2,427,769	2,498,245	70,476	2.9%
Non-Revenue Act(4)	672,592	705,123	32,531	4.8%
Liquor Sales/Liter	26,764	27,157	392	1.5%
Cigarette	18,818	18,214	(604)	-3.2%
Property (State School Levy)	438,308	449,725	11,417	2.6%
Estate	34,749	48,312	13,562	39.0%
Real Estate Excise	110,914	119,787	8,873	8.0%
Timber (state share)	3,772	4,460	687	NA
Other	39,265	37,469	(1,797)	-4.6%
Department of Licensing (4)	7,532	8,528	995	13.2%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$3,107,893	\$3,211,895	\$104,002	3.3%

1 Collections May 11 - June 10, 2002. Collections primarily reflect April 2002 activity of monthly taxpayers.

2 May 1-31, 2002 collections.

3 Cumulative collections, estimates and variance since the February 2002 forecast; (February 11-June 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the February 200 forecast;(February - May 2002) and revisions to history.)

* Based on the February economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
May 10, 2002 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
April 11 - May 10, 2002				
Department of Revenue-Total	\$886,661	\$886,661	(\$0)	-0.0%
Revenue Act (1)	764,301	764,301	(0)	-0.0%
Non-Revenue Act(2)	122,360	122,360	(0)	-0.0%
Liquor Sales/Liter	7,190	7,190	0	0.0%
Cigarette	4,564	4,564	(0)	-0.0%
Property (State School Levy)-net	49,913	49,913	0	0.0%
Property tax collections	49,913	49,913	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	13,088	13,088	(0)	-0.0%
Real Estate Excise	33,529	33,529	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	14,076	14,076	(0)	-0.0%
Department of Licensing (2)	2,803	2,789	(14)	-0.5%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$889,464	\$889,450	(\$14)	-0.0%

Cumulative Receipts: February 11 - May 10, 2002 & Revisions to History

Department of Revenue-Total	2,140,411	\$2,140,411	(\$0)	-0.0%
Revenue Act (3)	1,888,670	1,888,670	0	0.0%
Non-Revenue Act(4)	251,741	251,741	(0)	-0.0%
Liquor Sales/Liter	20,266	20,266	(0)	-0.0%
Cigarette	14,140	14,140	0	0.0%
Property (State School Levy)-net after transfer	71,978	71,978	(0)	-0.0%
Property tax collections	71,978	71,978	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	33,424	33,424	(0)	-0.0%
Real Estate Excise	83,867	83,867	0	0.0%
Timber (state share)	2,173	2,173	0	NA
Other	25,892	25,892	0	0.0%
Department of Licensing (4)	4,064	4,050	(14)	-0.4%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,144,474	\$2,144,460	(\$14)	-0.0%

P-Preliminary. Reported in the May 10, 2002 collection report.

R Revised data.

1 Collections April 11 - May 10, 2002. Collections primarily reflect March 2002 business activity of monthly taxpayers and q1,2002 activity of quarterly filers.

2 April 1-30, 2002 collections.

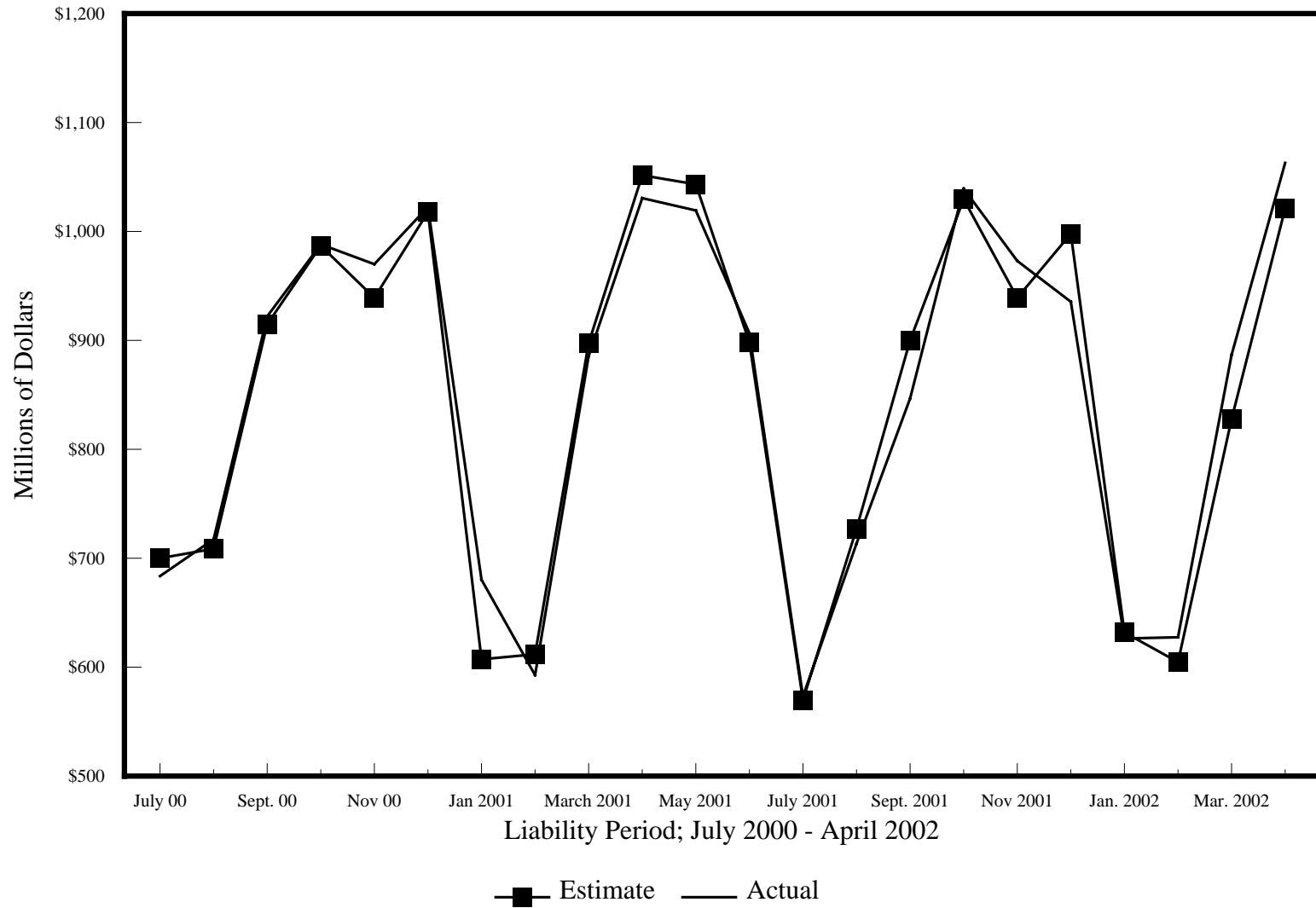
3 Cumulative variance for since the February 2002 forecast: February 11 - May 10,2002 & revisions to history.

4 Cumulative variance: since the February 2002 forecast (February 2002 - April 2002) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

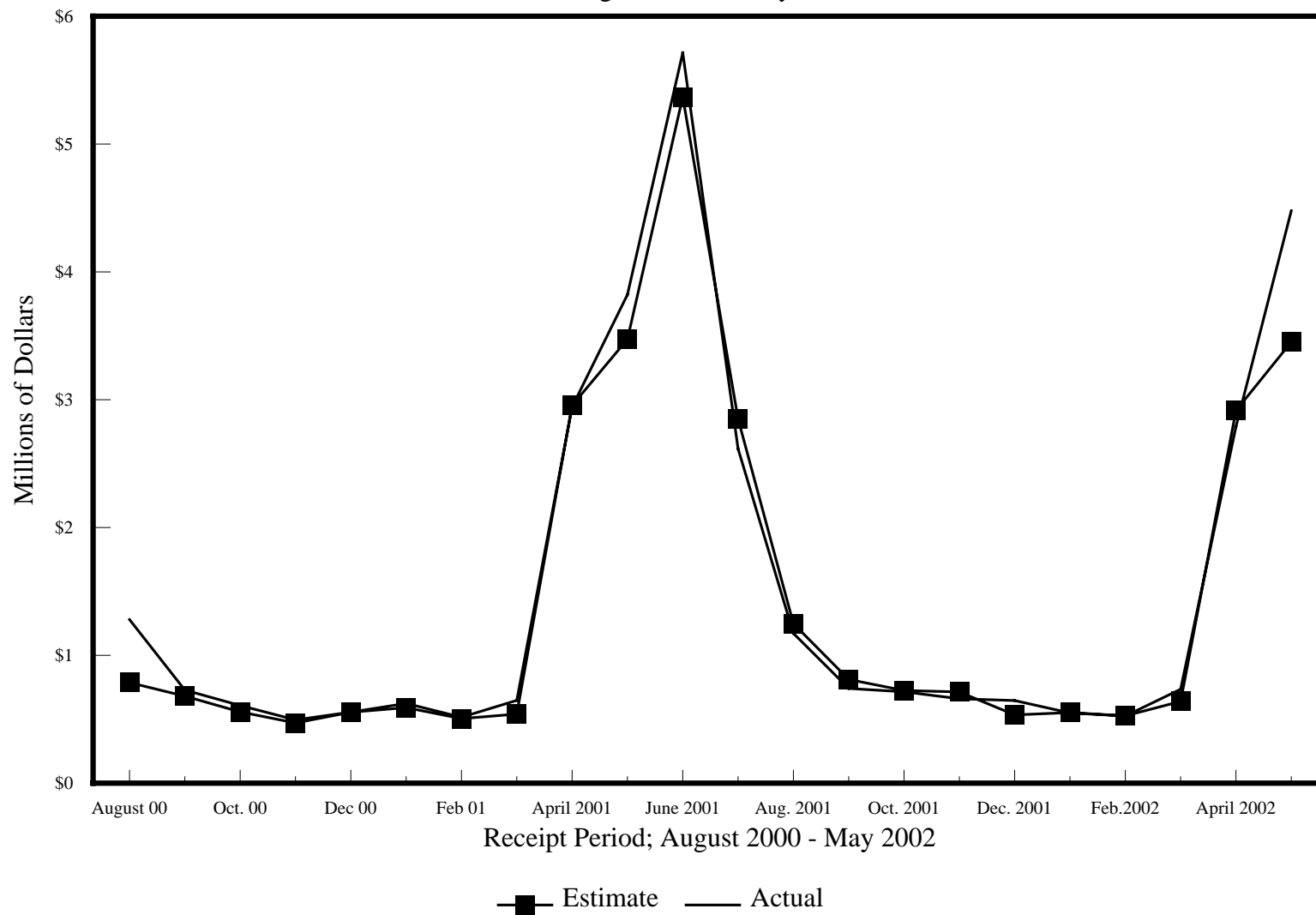
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to April 2002



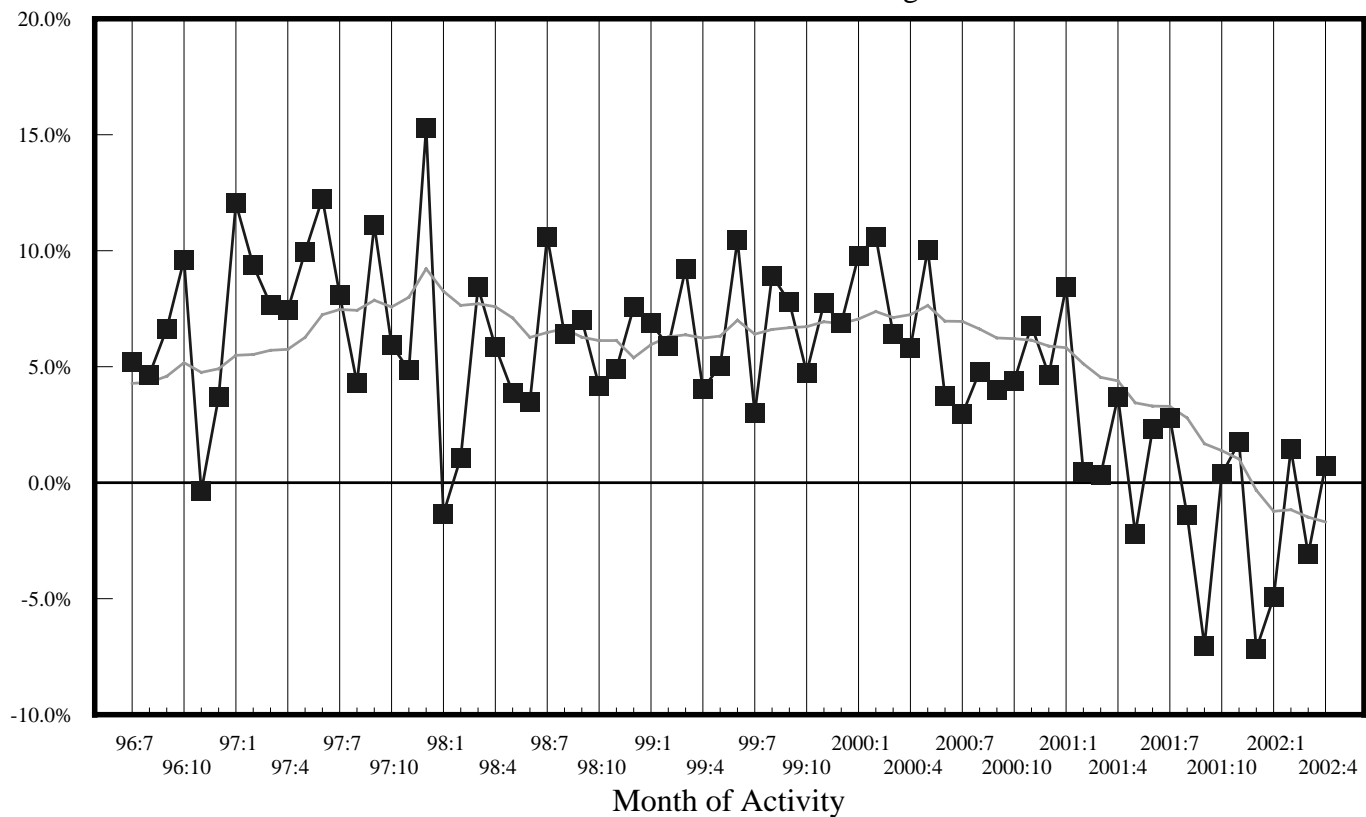
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to May 2002



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*- adjusted for special factors, primarily large assessment payments or credits/refunds.